



# REPORT TO IOWANS

*from U.S. Senator Chuck Grassley, of Iowa*

FALL 2003

Dear Friend:

In August I wrapped up my annual road trip across Iowa, fulfilling my pledge to visit with Iowans face-to-face in each of Iowa's 99 counties at least once every year. These town hall meetings, rotary club luncheons, factory tours, wind farm groundbreakings, hospital forums and school sessions help me keep in touch with Iowans and better represent your views in Washington, D.C.

In my 23rd year of conducting town meetings across the state, I'm as proud as ever to call myself a lifelong Iowan. From a strong work ethic, to unmatched entrepreneurial spirit, patriotism, neighborliness, civic duty, commitment to family, and respect for the less fortunate and rule of law, Iowans share a common heritage. It's a privilege to fight for Iowa's interests in Washington and represent Iowans in the U.S. Senate.

Uncertainty following the 9/11 terrorist attacks remains on the minds of many Iowans. Concerns about disaster preparedness and homeland security are commonly raised questions. Widespread support was expressed for our men and women serving our country overseas, including Iowans serving in the National Guard and Army Reserves. The slow economic recovery and soft job market added to the anxiety expressed by folks who attended my county meetings.

From oversight over the global war on terrorism and on-going military conflict in Iraq, to congressional debates regarding securing Medicare's future, ensuring U.S. energy security, funding homeland security, shaping fiscal policy, managing the federal budget and curbing annual deficits, revising the class-action lawsuit and bankruptcy systems, and updating welfare reform laws, Congress has its work cut out through the end of the calendar year.

As chairman of the U.S. Senate Finance Committee, I'm the lead Senate negotiator on a comprehensive Medicare reform package. The proposal would add a first-ever comprehensive prescription drug benefit to the program, address the long-term structure of the health insurance program for the elderly and disabled, and fix Medicare's unfair funding formula that shortchanges Iowa's health care delivery system.

My committee also has primary jurisdiction over the federal tax code. Earlier this year, I helped shepherd an economic growth and jobs package through Congress. It has been credited for recent economic gains, including increases in consumer and business spending. The across-the-board reductions in federal income tax brackets are helping to put more money in workers' paychecks through lower withholdings and the accelerated expansion of the child tax credit from \$600 to \$1,000 per child put roughly \$14 billion in the hands of 25 million families with children. The newly enacted business depreciation and small business expensing incentives also are fueling growth in business investment. The signs are good for recovery, but until the U.S. economy starts creating jobs for the 9 million Americans looking for work, getting the economy back on track will remain a high priority for policymakers and the President.

Another key element critical to re-charging the U.S. economic engine is energy. The United States needs a comprehensive, long-term energy strategy to maintain affordable, reliable supplies that can keep pace with consumer demand and fuel economic growth. According to the U.S. Energy Information Administration, U.S. petroleum imports accounted for 55 percent of total U.S. oil demand in 2001, up from 37 percent in 1980 and 42 percent in 1990. By 2025, net petroleum imports, including both crude oil and refined products, are expected to account for 68 percent of demand. For the sake of U.S. economic, energy and national security, the United States must adopt public policies that curb our dependence on imported energy.

I'm working to retain my Senate-passed "green energy" incentives included in the energy bill pending in Congress. Developing alternative energy resources, including renewable fuels and renewable electricity generation, also helps create jobs and pump up the economy in rural America.

Please take a few moments to review my annual legislative update to Iowans, and let me know what's on your mind. Representative government is a two-way street. I need your feedback to best serve you in the nation's capital.

*Please keep in touch!*

*Chuck*

Chuck Grassley  
United States Senator



# Working for Job, Health Care, Energy

## Economic Security

The sluggish economy and unemployment registered high on the minds of many Iowans who attended my meetings this year. The struggling manufacturing sector wiped out jobs across the country, including Iowa. Joblessness reached 4.6 percent in Iowa this summer. Working families continue to worry about stagnant wages or lay-offs. Although businesses are being cautious to re-hire and create new jobs since the end of the recession in November 2001, there's good news on the horizon.

A \$330 billion tax relief measure passed by Congress in May helped turn the recession into one of the shallowest on record. An additional \$20 billion was sent to the states to help cope with funding shortfalls needed for essential services. The expanded child tax credits, accelerated marginal tax rate reductions and decline in capital gains and dividend tax rates spurred a consumer spending surge over the summer. Plus, new expensing deductions for small business are helping trigger new business activity. Home ownership is at record levels and greater investor confidence is returning to stock markets.

As chairman of the Senate Finance Committee, which handles tax policy, I helped broker the agreement earlier this year on a jobs and economic growth package. I argued for tax relief that would provide the biggest stimulus possible to jumpstart the economy, and I appreciated the concerns of those who questioned whether there's room for tax cuts amid rising budget deficits and war-related expenses.

I grew up in Iowa with the understanding a penny saved is a penny earned. I also believe that when you let working Americans keep more of their own money, it does a lot more good for the economic well-being of America. A recent U.S. Treasury analysis estimates unemployment would have been 7.2 percent in the second quarter of 2003 without the three rounds of economic growth proposals enacted in 2001, 2002 and 2003.

Beyond the tax relief enacted in May for families and individuals, this fall I'm working for passage of my bipartisan tax relief plan to protect U.S. manufacturing jobs. It's important that Congress act quickly to help recover jobs lost in U.S. manufacturing.

## Medicare

We're all familiar with the saying two wrongs don't make a right. Consider Medicare, the federal program that insures nearly 41 million disabled and older Americans.

Created in 1965 to guarantee access to affordable health care for retired Americans, Medicare was designed for medicine practiced 40 years ago. That was an era when hospitalization provided primary care for curing the sick. In the 21st century, pharmaceuticals play a much larger role in the delivery of modern medicine.

Wrong #1: Traditional Medicare doesn't offer pharmaceutical coverage.

In another program flaw, the payment formulas configured to reimburse hospitals, physicians and other health care providers penalize 30 states that practice cost-effective medicine with lower reimbursement rates for the same services performed in other regions of the country. That leaves these states at a disadvantage when it comes to recruiting and retaining top-notch health care professionals. It forces providers to make up the difference on non-

Medicare patients to the extent possible. With a high percentage of older residents, many Iowa hospitals depend largely on Medicare patients as their base. These facilities can't make up the funding shortfall elsewhere and face tough decisions about staffing and services, including keeping their doors open for business.

Wrong #2: Although all Americans pay the same payroll tax to help run Medicare, not all Medicare beneficiaries qualify for the same payments-per-patient. This impacts the available services and doctors available to treat them. This inequity must be fixed once and for all.

Many of Iowa seniors rely on a fixed income to make ends meet in retirement. For years, elected officials have campaigned on making prescription medicine more affordable for Medicare recipients. This year Washington is closer than ever before to delivering and adding a prescription drug benefit to Medicare. The House of Representatives and Senate each passed separate bills earlier this summer.

As chairman of the Senate Finance Committee, I was the lead Senate architect responsible for getting a \$400 billion bipartisan bill out of the Senate. I'm now working with House members who can make or break this initiative to forge a compromise agreement that can be sent to the President for his signature.

From my meetings across the state, I understand many Iowans are sick and tired of gridlock and they want results, not excuses. That means lawmakers need to set aside ideological differences and end the partisan fight over which party gains the most by getting a prescription drug benefit passed. Some may think this is mission impossible. Considering the strong grassroots efforts mobilized to secure Medicare prescription drug coverage and fix the payment inequity penalizing 30 states, plus the President's desire to sign a bill into law, there's a good chance that Congress will pass a Medicare package that includes a first-ever prescription drug benefit by year's end.

Under this scenario, we could kill two birds with one stone: Make prescription medicine more affordable and accessible to seniors and fix the payment inequity that hurts the entire health care delivery system in rural states like Iowa.

As the lead Senate negotiator in forging a compromise between the Senate and House versions of a Medicare Rx bill, Sen. Grassley comes to the table with the following core principles considered essential in his view to modernize Medicare and help make it a right fit for the 21st century:

1. Keep an Rx benefit entirely voluntary. Seniors may choose to participate from year to year.
2. Offer Rx benefit through stand-alone plan with traditional Medicare and through a menu of plans made available through new Medicare Advantage.
3. Fix the rural-urban payment inequity.
4. Strike a balance that keeps employer-sponsored and private prescription drug coverage viable.
5. Balance needs of an aging American society with long-term demands on American taxpayers and federal budget.

# Retirement and Homeland Security

## Energy Security

The largest black-out in history underscored the need for the United States to get serious about its long-term energy needs. The price jump at the pump in August also reminds us how American consumers and the U.S. economy depend on reliable, affordable supplies of energy to make it through the day. For many years, I've advanced public policies to promote new alternative energy concepts to produce electricity and displace finite, fossil fuels.

This fall Congress should wrap up a comprehensive energy bill to provide for America's energy security in the 21st century, from the production, transmission and distribution of electricity, to promoting domestic production of traditional fuels including natural gas and crude oil, to developing alternative sources of energy.

Alternative energy makes sense for America. U.S. dependence on foreign oil puts us at the mercy of OPEC and the volatility of the Middle East; shapes military spending and diplomatic strategy; sends U.S. tax and consumer energy dollars overseas; and pollutes the environment through the combustion of fossil fuels.

As chairman of the Senate Finance Committee, which writes federal tax policy, I'm working to steer through Congress a "green energy" package that would diversify domestic energy production and foster research, development, venture capital, production and use of renewable, alternative energy sources.

The Senate included my bipartisan *Energy Tax Incentives Act* in the comprehensive energy bill now being considered for final passage by both Houses of Congress. The bill builds upon my efforts to advance "green" electricity and fuel production, including extending and expanding the tax incentives for wind energy, ethanol, biodiesel, and biomass.

## Retirement Security

Workers who make the sacrifice during their careers to put money away for retirement despite all the demands on their paychecks deserve some peace of mind and legal certainty that their rights and interests are protected under the law.

I've led efforts in Washington to promote retirement security through a series of measures designed to boost retirement savings education, increase voluntary individual retirement contributions, encourage employer-sponsored retirement plans by small businesses and improve opportunities for those in-and-out of the workforce to catch-up and prepare for a secure retirement.

The government has a role to encourage greater savings opportunities and oversee retirement savings programs to protect workers, taxpayers and financial markets from manipulation and abuse.

From my position as chairman of the Senate Finance Committee, I'm keeping close tabs on Wall Street and pushing legislation designed to clean up corporate misconduct and restore investor confidence. My package of corporate governance reforms would clamp down on abusive tax shelters; protect pensions; curb lavish executive compensation packages for bankrupt companies; crack down on corporations relocating overseas to avoid US taxes; and, prevent companies from deducting penalty payments from their federal taxes.

After examining the collapse of corporate giants and seeing the devastating consequences wrought against the financial security of American workers and retirees, I also introduced a package of pension protections, the *National Employee Savings and Trust Equity Guarantee Act*, (NESTEG) to address shortfalls in the system. My plan would fix unfair restrictions on stock ownership in employer-sponsored retirement plans. It would set new diversification rules for company stock; stipulate that a vested worker owns employer matching contributions; prohibit restrictions on these shares; improve disclosure requirements prior to black-outs for stock transactions; require employees to be notified 30 days prior to a plan black out; establish new protections for rank-and-file workers and curb so-called golden parachute exits by executives who cash-out big-time in lucrative stock deals; apply a 20 percent excise tax on certain sales made by executives during a black-out period; and, arm workers with better information, including periodic benefit statements, retirement education and other pension information.

I also won Finance Committee approval in September for my bipartisan proposal to establish important new rules to safeguard individuals' pensions. My plan establishes a reliable basis on which pension payments are calculated. Workers need and deserve reliable funding of their pensions.

## Green Energy at Glance

### Wind

**Background:** The first ever wind energy tax credit was Grassley sponsored and enacted in 1992.

**Green Energy:** In 2002, wind farms installed produce enough electricity to power nearly 500,000 households in the U.S. Iowa has 400 wind turbines. That's enough to power 130,000 homes per year.

**Rural Impact:** Creates jobs, injects capital into rural areas. Farmer can receive more than \$2,000 per year for 20 years in direct lease payments. Iowa's major wind farms currently pay more than \$640,000 per year to landowners.

**Grassley Green Energy Bill:** Extends wind energy tax credit until 2007 and allows non-taxpaying electric utilities, like electric cooperatives and municipal utilities, to trade or sell tax credits.

### Biomass

**Background:** Original 1992 tax credit promoted production of electricity with environmentally friendly biomass crops, including switchgrass.

**Green Energy:** Generates numerous waste management public benefits, including disposal of agricultural byproducts.

**Rural Impact:** Biomass crops could produce between \$2 and \$5 billion in additional farm income.

**Grassley's Green Energy Bill:** Expands production tax credit to include electricity generated from agriculture livestock waste nutrient and "open loop" biomass, including organic, non-hazardous materials such as saw dust, tree trimmings, and untreated construction debris.

### Ethanol

**Background:** The original federal tax incentive enacted 20 years ago has helped turn a fledgling industry into a viable renewable fuel produced here at home, pump up the economy and create jobs in rural America and reduce harmful tailpipe emissions. In 1997, ethanol's tax exemption was extended for the next decade by a Grassley-sponsored initiative.

**Green Energy:** Earth-friendly alternative to the use of methyl tertiary butyl ether (MTBE), the petroleum-based additive known to contaminate groundwater. Helps displace imported oil, the ethanol industry is expected to produce over 2.7 billion gallons in 2003, up from a record annual production in 2002. There are 16 ethanol plants in Iowa.

**Rural Impact:** USDA says ethanol production in U.S. increases value of corn by 30 cents/bushel. Adds \$4.5 billion to U.S. farm income annually. Since 1990 farmer-owned cooperatives are responsible for the majority of new ethanol production capacity, allowing farmers to capture better profits through value-added agriculture.

**Grassley's Green Energy Bill:** Renewable Fuels Standard would require 5 billion gallons of renewable domestic fuels, including ethanol and biodiesel, by 2012; clarifies small producers tax credit to allow farmer cooperatives to pass the tax incentive along to farmer members; and extends tax incentive to biodiesel.

### Biodiesel

**Background:** Alternative fuel produced by animal fat or vegetable oil, such as soybean oil.

**Green Energy:** Clean-burning fuel, biodiesel emissions are better for the environment and human health. Its exhaust smells like french fries.

**Rural Impact:** Biodiesel is commonly blended with traditional petroleum diesel from two to 20 percent. Iowa has three biodiesel processing facilities.

**Grassley's Green Energy Bill:** One-cent reduction of diesel excise tax per percentage of biodiesel blended with diesel up to 20 percent.



Homeland Security

With the second anniversary of 9/11 fresh in our minds, the memories of the terrorist assault and mass murder of thousands of Americans remind us that the United States remains a target to terrorists.

Last year Congress took steps to make the federal government more accountable and prepared to protect public safety and national security with creation of the Department of Homeland Security. To hold the new department accountable, I worked to make sure whistleblower protections extended to every employee. I'm also keeping close tabs on the restructuring of the former Immigration and Naturalization Service to monitor its transition to better provide service and enforcement functions. I'm also working to improve the process by which visas are issued.

As chairman of the Senate Finance Committee, I held a hearing in September to expose the ease with which terrorists can obtain fraudulent identities with either counterfeit or valid documents. An investigation by government auditors revealed shortcomings with the government's response to crack down on the situation, even two years after September 11. The report showed how a terrorist, using an alias with counterfeit identity documents or valid identity documents, can function in everyday society while providing support for accomplices or plotting their own attacks.

Earlier this year, I supported the fiscal 2003 *Wartime Supplemental Appropriations Act* to help pay for our military operations in Iraq and Afghanistan and to beef up homeland security resources here at home, including Iowa.

The following federal dollars released this year are being put to good use in Iowa by helping our first responders plan and prepare.

\$ This summer the Iowa Department of Public Defense was awarded \$20 million by the U.S. Department of Homeland Security to support first responder preparedness and mitigate the costs of enhanced security precautions at critical infrastructure sites in Iowa.

\$ The U.S. Department of Health and Human Services also released \$16 million for health emergency preparedness against bioterrorism in Iowa.

\$ The Federal Emergency Management Agency administers the federal Assistance to Firefighters Program to help rural, urban, and suburban fire departments increase effectiveness, institute firefighter health and safety programs, purchase new equipment, and establish emergency medical service and fire prevention programs. This year, fire departments in 120 Iowa communities won federal assistance under the program.

Local fire departments may apply for federal assistance by contacting the FEMA at 866/274-0960 or by e-mail at [usfagrants@fema.gov](mailto:usfagrants@fema.gov).

I fought successfully earlier this year to win \$98 million for renovation of the animal disease complex in Ames. These federal dollars will help scientists in Iowa help prevent and prepare against bioterrorist attacks.

Situated in the heart of America's bread basket, Iowa bears substantial responsibility to protect our crops and livestock commodities from sabotage, from the farm to your fork, it's critical to protect the integrity of America's food supply.

Salute to Soldiers

On March 19, 2003, the United States launched Operation Iraqi Freedom to disarm a dangerous dictator, free the people of Iraq from an oppressive regime, enforce the rule of law and bring democracy to a volatile region of the world.

Going to war is an option of last resort. Sending U.S. soldiers into harm's way is a solemn decision. The nation is indebted to these duty-bound Americans for their patriotism, courage, selflessness and honorable service.

Meanwhile, the family members left behind do their best to shoulder the sacrifice and separation while their loved ones serve their country. Iowa businesses, law enforcement entities, schools and communities also feel the absence of those called to active duty.

Constituent Contact Information

Iowans who need help navigating red tape in the federal government can contact my staff for casework assistance. I have staff assigned in each office and Washington, D.C. to help constituents with their questions and concerns in dealing with a federal agency. In addition, I urge Iowans to contact me with ideas, concerns, criticism and questions regarding matters of public policy and legislation under consideration in Congress. Representative government is a two-way street, and I rely on your feedback.

If you are planning a trip to Washington, D.C. you may also contact my Washington office for public tour information. My staff may help to facilitate tour requests of federal buildings, including the Capitol, White House and Supreme Court, and advise you of any security restrictions in place at government buildings. And during your trip, you are welcome to drop by my Senate office located on the first floor of the Hart Building. Please call in advance if you want to schedule an appointment with me.

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